FDIC State Profile

Spring 2004

Oregon

Nonfarm employment in Oregon decreased 0.5 percent in the year ending fourth quarter 2003, undermined by weakness in the trade, government, construction, and electronic manufacturing sectors.

- As of fourth quarter 2003, Oregon experienced year-over-year employment decline in the trade, government, construction, and manufacturing sectors, which offset growth in the education and health services, and professional and business services sectors.

- The trade, transportation and utilities sector lost 3,500 jobs during 2003, mainly in the air transportation, warehousing, clothing retail, and wholesale industries.

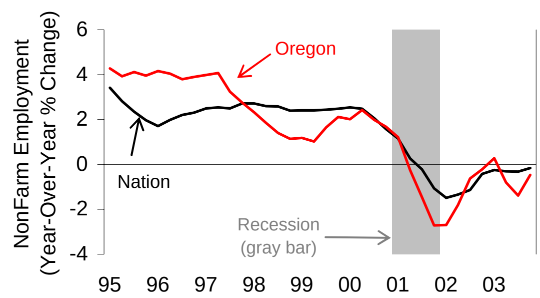
- The government sector also contracted by 2,833 jobs during this time period. Layoffs occurred primarily at the state and local government level, as these entities struggled to balance a large state budget deficit. Going forward, losses in this sector may slow if the third quarter 2003 tax revenue performance, which showed an eight percent increase in total state tax collections, persists.

- The continued contraction in nonfarm employment negatively impacted the construction sector, which declined 3.4 percent year-over-year as of fourth quarter 2003, losing 2,800 jobs. Many of the losses occurred in the nonresidential construction industry as a result of declining demand for commercial real estate (CRE).

- Although significantly lower than the 6,700 jobs lost in the second quarter of 2002, the computers and electronic products manufacturing sub-sector also experienced a 5.3 percent drop in employment, representing a loss of 2,300 jobs. Continuing employment losses resulted in part from the growing trend of outsourcing by tech companies, which are laying off local manufacturing employees to find low-cost engineering and manufacturing capabilities abroad.1

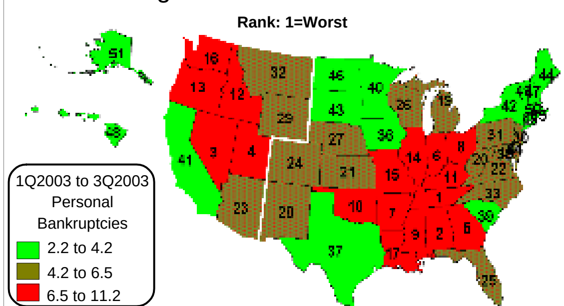
- In addition to persistent employment losses (See Chart 1); Oregon also reported the second highest unemployment rate in the nation at 7.4 percent as of fourth quarter 2003. Two large Primary Metropolitan Statistical Areas (PMSA), Portland-Vancouver and Salem, each with an unemployment rate of 7.02 percent, tied for the highest rate in the state for a PMSA.

Chart 1: Nonfarm Employment in Oregon Continued Downward Trend



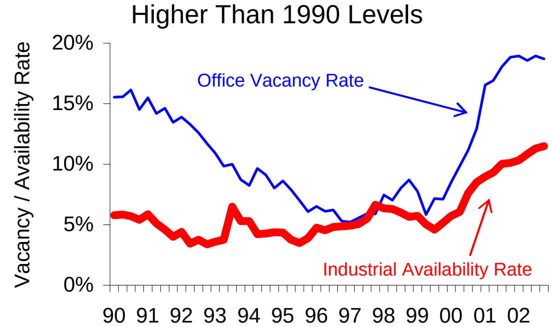
Source: Bureau of Labor Statistics and National Bureau of Economic Research

Map 1: Oregon's Personal Bankruptcy Filing Rate Was High in 2003



*Note: Population estimates for 2002 were used.
Source: U.S. Courts, and Bureau of Economic Analysis

Chart 2: Vacancy Rates in Portland Remained Higher Than 1990 Levels



Source: Torto Wheaton Research

Weak employment pressured personal bankruptcy rates in Oregon.

- The personal bankruptcy rate in Oregon, which increased by two percent during 2003, was exceeded by only 12 other states in the nation (See Map 1).

- According to a PMI Mortgage Insurance Co. report, the Portland MSA ranked second out of 50 metropolitan areas for having a high probability of a home price decline, in part as a result of sluggish employment and slowing home price appreciation. Low home price appreciation rates are a concern, because they have been associated with higher foreclosure and bankruptcy rates.

- Reflecting the relatively high personal bankruptcy rates, consumer loan quality showed continued stress during 2003. Established community institutions headquartered in Oregon reported a median net consumer loan charge-off ratio of 0.84 percent, unchanged from 2002 to 2003; the national past-due consumer loan ratio decreased from 0.38 to 0.34 percent over the same period.[1,2]

Sluggish demand for commercial real estate (CRE) could challenge Oregon-based insured institutions.

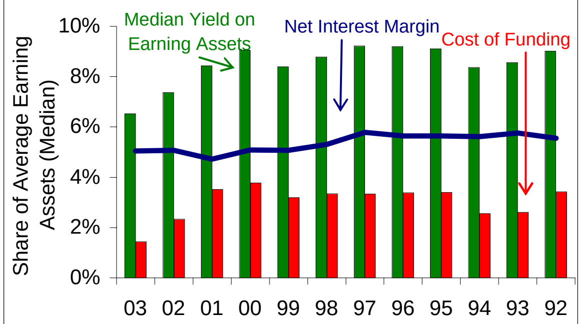
- According to Torto Wheaton Research (TWR), the office vacancy rate in the Portland MSA remained relatively steady at 18.7 percent as of fourth quarter 2003 (See Chart 2). TWR also reported an increase in the industrial availability rate to 11.5 percent as of fourth quarter 2003, up from 10.1 percent one-year earlier.

Profitability improved among Oregon-based insured institutions, despite weak economic conditions.

- Weak economic conditions have not hampered earnings performance at Oregon-based insured institutions. Oregon-based insured institutions reported a median return on average assets ratio (ROA) of 1.26 percent as of December 31, 2003, up from 1.24 percent one-year earlier, and significantly above the 1.02 percent median ROA reported by all insured institutions in the nation.

- Strong net interest margins (NIMs) were crucial to improved profitability. Although declining interest rates initially undermined net interest margins in 2001, as liabilities were slow to re-price, funding costs declined dramatically during 2002 and 2003. In 2003 the NIM was 5.08 percent (See Chart 3). This was significantly above the 4.0 percent NIM reported by institutions nationwide. An increase in median non-interest income and a decrease in provision expense favorably influenced profitability.

Chart 3: Funding Costs Declined During 2003 Among Oregon-Based Insured Institutions



Source: Oregon Bank and Thrift Call

[1] 1 Earnshaw, Aliza, "Oregon's Tech Players Export Production Jobs", Portland Business Journal, January 23, 2004.

[2] 3 Established community institutions include insured institutions in operation more than three years, with less than $1 billion in total assets, and exclude specialty institutions.

Oregon at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	38	37	38	47	50
Total Assets (in thousands)	21,395,244	20,813,402	20,177,308	19,471,243	9,851,510
New Institutions (# < 3 years)	4	5	5	10	8
New Institutions (# < 9 years)	14	12	12	16	15

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	10.38	9.43	9.46	9.19	9.71

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	0.84%	0.72%	1.09%	0.95%	0.86%
Past-Due and Nonaccrual >= 5%	2	2	3	3	6
ALLL/Total Loans (median %)	1.18%	1.20%	1.19%	1.13%	1.14%
ALLL/Noncurrent Loans (median multiple)	2.32	3.05	2.23	2.10	2.41
Net Loan Losses/Loans (aggregate)	0.13%	0.28%	0.20%	0.15%	0.36%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	5	3	2	3	9
Percent Unprofitable	13.16%	8.11%	5.26%	6.38%	18.00%
Return on Assets (median %)	1.26	1.24	1.12	1.11	1.11
25th Percentile	0.83	0.88	0.69	0.66	0.50
Net Interest Margin (median %)	5.04%	5.08%	4.72%	5.08%	5.07%
Yield on Earning Assets (median)	6.53%	7.37%	8.43%	9.06%	8.39%
Cost of Funding Earning Assets (median)	1.44%	2.34%	3.51%	3.78%	3.18%
Provisions to Avg. Assets (median)	0.24%	0.28%	0.25%	0.21%	0.20%
Noninterest Income to Avg. Assets (median)	1.04%	1.00%	0.98%	0.88%	0.92%
Overhead to Avg. Assets (median)	3.73%	3.45%	3.48%	3.86%	3.74%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	87.49%	86.17%	89.58%	82.29%	84.33%
Loans to Assets (median %)	72.82%	72.36%	74.98%	70.94%	65.06%
Brokered Deposits (# of Institutions)	11	8	9	9	8
Bro. Deps./Assets (median for above inst.)	2.77%	2.49%	3.96%	2.22%	2.87%
Noncore Funding to Assets (median)	13.96%	15.42%	17.33%	16.28%	13.51%
Core Funding to Assets (median)	71.75%	70.32%	71.16%	71.38%	74.27%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	29	26	27	29	31
National	3	3	3	4	4
State Member	3	3	3	9	9
S&L	3	3	3	3	3
Savings Bank	0	2	2	2	3
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	14	7,288,261	36.84%	34.06%
Portland-Vancouver OR-WA PMSA	12	11,351,856	31.58%	53.06%
Salem OR PMSA	5	507,423	13.16%	2.37%
Eugene-Springfield OR	4	1,297,886	10.53%	6.07%
Medford-Ashland OR	2	623,549	5.26%	2.91%
Corvalis OR	1	326,269	2.63%	1.52%